

Message Text

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12

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 ABF-01 FSE-00 PA-04 PRS-01 USIA-15 DRC-01 /152 W

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R 052201Z JUN 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 8863

UNCLAS SANTIAGO 3191

EO 11652: N/A

TAGS: EFIN, AFSP, CI

SUBJECT: DEVALUATION OF EXCHANGE RATES

REF: SANTIAGO 2958

1. EFFECTIVE JUNE 5, CENTRAL BANK DEVALUED BANKERS RATE FROM 660 TO 720 ESCUDOS PER DOLLAR. AT SAME TIME BROKERS RATE, AFFECTING FOREIGN TOURISTS AND DIPLOMATIC MISSIONS, WAS DEVALUED FROM 720 TO 790 ESCUDOS. BANKERS RATE FOR LARGE COPPER MINES REMAINS AT 330 ESCUDOS.

2. CENTRAL BANK PRESIDENT EDUARDO CANO GAVE A PRESS CONFERENCE ON JUNE 5 ANNOUNCING CHANGES. HE CONFIRMED INFORMATION PREVIOUSLY GIVEN EMBOFF BY CENTRAL BANK VICE PRESIDENT JORGE CAUAS WHICH IS THAT EFFECTIVELY EXCHANGE RATES (BUT NOT NOMINAL RATES) WERE TO BE UNIFIED. THERE ARE CHARGES AMOUNTING TO SLIGHTLY LESS THAN 24 PERCENT FOR TRANSACTIONS AT THE BANKERS RATE AND ABOUT 13 PERCENT FOR THOSE AT THE BROKERS RATE -- THUS, TWO RATES ARE EFFECTIVELY EQUAL WHEN THE SPREAD BETWEEN THEM IS ABOUT 10 PERCENT; THE DIFFERENCE BETWEEN THE TWO NOMINAL RATES IS NOW 9.7 PERCENT. EFFECTIVE RATE IS ABOUT 890 ESCUDOS PER DOLLAR.

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3. GOC REPORTEDLY PLANS FOR TWO RATES EXPERIENCE PARALLEL

DEVALUATION HENCEFORTH, MAINTAINING 10 PERCENT DIFFERENCE.
AMOUNT OF DEVALUATION WILL PRIMARILY BE DETERMINED BY THE
BEHAVIOR OF THE CONSUMER PRICE INDEX (CPI), BUT TIMING AND
AMOUNT OF DEVALUATIONS PROBABLY WILL DELIBERATELY BE KEPT
IRREGULAR TO REDUCE INCENTIVE TO SPECULATE.
POPPER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, COPPER, PRESIDENT, FOREIGN EXCHANGE RATES, ESCUDO, DEVALUATIONS, PRESS CONFERENCES
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Disposition Authority: n/a
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Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Drafter: n/a
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From: SANTIAGO
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30 JUN 2005

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TAGS: EFIN, AFSP, CI, (CANO, EDUARDO)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005